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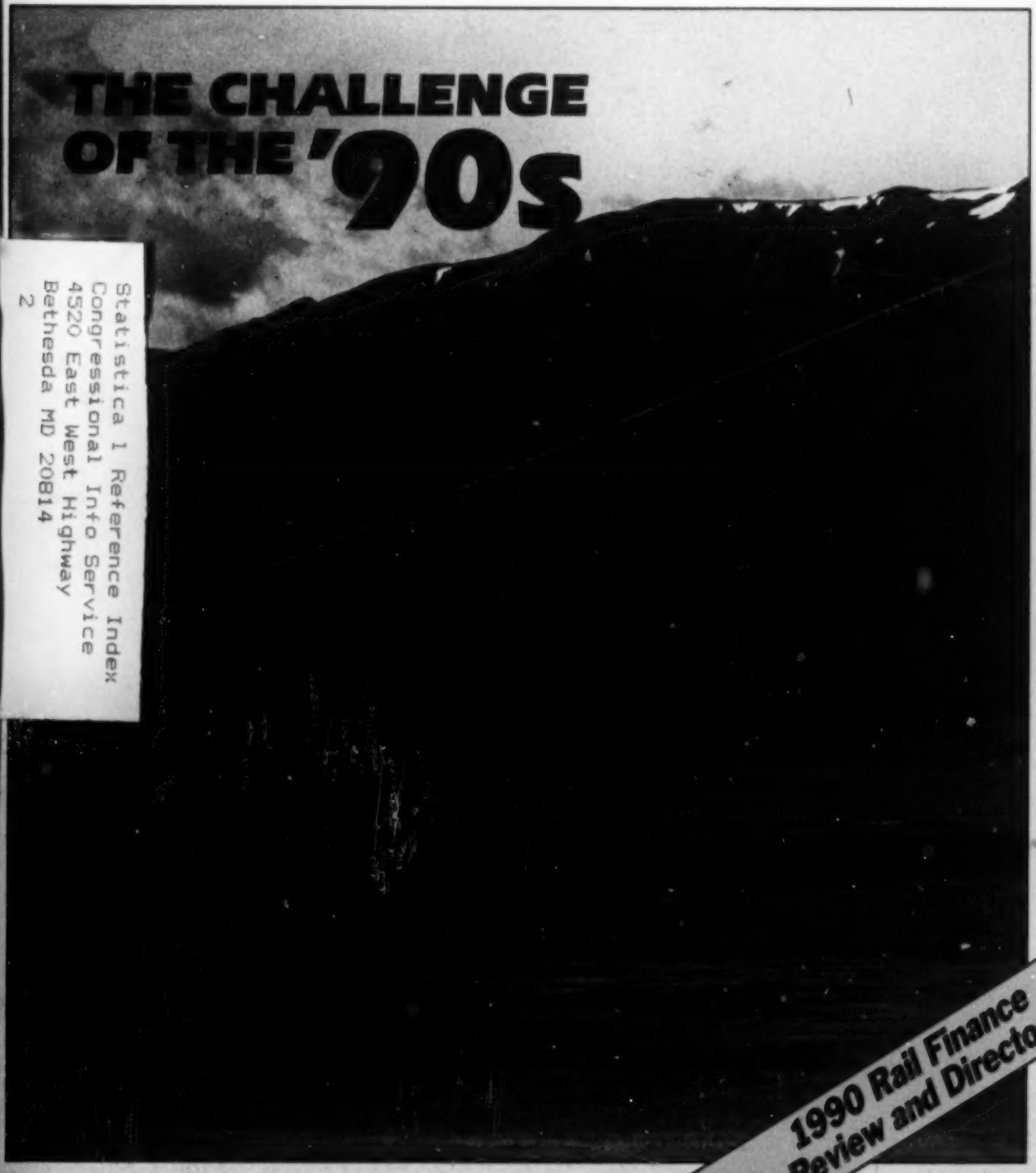
December 1989

Railway Age

...for the new age of railways and rail transit



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December 1989

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THE CHALLENGE OF THE '90s

The challenge of the '80s was survival. The challenge of the '90s will be growth. Four industry leaders describe how they think railroads must respond to that challenge.

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INSIDE

The challenge of the truckers

LUTHER S. MILLER

"The challenge of the '90s" is the cover story in this end-of-year, end-of-decade issue of *Railway Age*. It takes the form of four articles written exclusively for *Railway Age* readers by four leading industry spokesmen—Conrail's James A. Hagen, Santa Fe's Michael R. Haverty, Burlington Northern's Gerald Grinstein, and the AAR's Richard E. Briggs. Mr. Hagen stresses the need for the kind of inter-road cooperation that will provide "what customers want—seamless transportation. One call, no hassle, get it there when I need it, at the right price. The way trucks do it." Mr. Haverty, examining the industry's technological needs, foresees a growing fleet of articulated cars and he also sees the day, not far off, when "each car will have a planned itinerary when it arrives at a railroad, detailed as to the train it will move on and its predicted arrival." Mr. Grinstein sees the forging of a true labor-management partnership as a *sine qua non* of growth—indeed, of survival—as railroads move toward the 21st Century, and he warns that on both sides conventional wisdom may have to go by the boards: "If we stick to the old patterns . . . the railroads will continue to earn less than the cost of capital . . . the unions will continue to lose membership . . . the public will be left with a smaller, weaker rail system." In the concluding article, Mr. Briggs describes what still needs to be done in Washington to level the transportation playing field, and it is here that the scenario begins to get a little scary, for in Washington railroads are confronting situations that are beyond their control.

The most serious of these by far is the continued subsidization of the rights-of-way used by the railroad's competitors, the truckers and the barges. "Not only should user charges recover all maintenance and new construction costs, but provisions should be made for recovering social costs as well," argues Mr. Briggs. "And there should be no increase in allowable truck lengths and weights, and no new capital construction on the waterways until such adequate user charges are developed."

It is, in fact, the specter of heavier, longer highway rigs that is casting the darkest shadow today over the railroad industry's prospects. Our deteriorated system of highways and bridges needs vast infusions of rehabilitation dollars, and if the truckers are asked to help pay a modest portion of the bill (they have never really paid their share), they are likely to ask for something in return. By some estimates, highway and bridge needs are in the $100-billion-a-year neighborhood. The American Road & Transportation Builders Association a few weeks ago endorsed an 18-cents-a-gallon increase in gasoline and diesel user fees to expand highway spending to about $40 billion a year.

What happens if the truckers win, in return, the right to put veritable "rubber-tired trains" on the highways? By one conservative estimate, increased highway size and weight limits could reduce railroad revenue ton-miles by nearly 10% and cut railroad operating income by more than 50%.

The Texas Research and Development Foundation is now completing a research project to assess the effects of heavier, longer trucks on pavement damage, safety, land use, and pollution. Another research effort, at M.I.T., is trying to measure the railroad revenue losses that would ensue.

Effectively getting this story across on Capitol Hill and at the White House may prove to be the biggest challenge of the new decade.

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Equipment

BC Transit: Awarded a $33 million (Canadian) contract to UTDC for 16 additional SkyTrain vehicles; the contract provides options for more cars. The new vehicles, which will bring the total SkyTrain fleet to 130, will be used on the three-kilometer Surrey extension, the final section of which is to open in March 1990. BC Transit is also planning two additional line extensions, one to Whalley, B.C., for completion in mid-1993, and another to Coquitlam, B.C., for completion in 1995.

Chicago Transit Authority: Morrison Knudsen is the apparent lower bidder, at $190 million, to supply 232 new cars to CTA, with options that would bring the total order to 374 cars. The cars are to be built at MK's shop at Hornell, N.Y.

Chrysler Rail Transportation Corp.: Purchased Xtra Corp.'s fleet of 4,200 rail cars and 75 locomotives. This brings the company's rail and intermodal fleet to more than 21,000 units. A year ago Chrysler Rail purchased 4,000 cars from TCA, a leasing affiliate of Thrall Manufacturing.

Conrail: Ordered 1,000 fully-enclosed multi-level cars, for transport of motor vehicles, for delivery in 1990. Thrall Car will build the racks at its plants in Cartersville and Winder, Ga. Conrail is acquiring 850 similar cars this year.

Trailer Train: Ordered 500 intermodal platforms from Trinity Industries for delivery beginning in first quarter 1990.

Facilities

Illinois Central: Placed an order with Safetran Systems Corp. for a ctc office system. The computer based center controlling an 800-mile route from Chicago to New Orleans will be located in Chicago. Safetran says the modular concept of its new Autotrak Graphic Dispatching System made it possible to design a customized, cost-effective system for IC.

New York DOT: Retained the firm of Berger, Lehman Associates of Rye, N.Y., to provide design services for completion of the Oak Point Rail Link, a proposed 1.8-mile railroad trestle along the eastern shore of the Harlem River in New York City. The structure is part of the full freight access program for the east side of the Hudson River and will connect the Highbridge Railroad Yards with the Harlem River Yards. Construction is to begin in the spring of 1991.

New York State DOT: Selected Steinman Boynton Gronquist & Birdsall of New York to design the rehabilitation and partial replacement of the Williamsburg Bridge connecting Manhattan and Brooklyn. The bridge includes a two-track rapid transit line, and it will be necessary to construct temporary track structures along the bridge to support full service while the existing track structure is rehabilitated. Total cost of the project is $400 million.

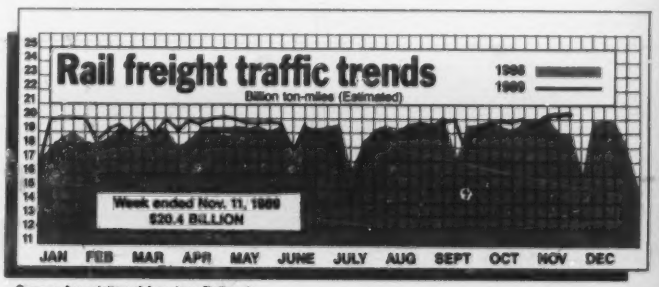
Revenue freight carloadings

Commodity	Nov. 11 week	Nov. 4 week	Oct. 28 week	Oct. 21 week
Grain	31,958	31,957	29,878	29,482
Other farm products	2,301	2,307	2,430	2,558
Metallic ores	17,902	19,863	19,131	20,246
Coal	135,960	134,673	133,570	127,006
Crushed stone, gravel and sand	16,880	17,130	18,586	18,737
Nonmetallic minerals	8,993	10,551	11,020	9,827
Grain mill products	9,773	10,285	10,044	10,594
Food and kindred products	9,302	9,575	9,083	9,152
Primary forest products	8,921	9,301	9,844	9,282
Lumber and wood products	6,033	6,406	6,362	6,355
Pulp, paper and allied products	9,715	10,289	10,443	9,621
Chemicals and allied products	26,833	27,105	27,185	26,855
Petroleum products	4,722	4,996	5,322	4,812
Stone, clay and glass products	10,353	10,707	10,960	11,049
Coke	5,873	5,291	5,776	5,740
Metals and products	8,944	9,714	9,305	8,817
Motor vehicles and equipment	19,100	19,283	19,713	18,494
Waste and scrap materials	8,598	8,514	8,644	8,805
All other carloads	6,303	7,023	7,066	7,139
Total Cars Loaded	**348,464**	**354,970**	**354,362**	**344,571**
% change from previous year	(.9)	(1.4)	(1.0)	(4.4)
			% change	
Cumulative total: 45 weeks		15,075,937	(1.2)	
Estimated revenue ton-miles (billions)	20.4	20.4	20.2	19.7
% change from previous year	.0	.0	.0	(3.0)
	Total:	**1989**	**1988**	**% change**
	45 weeks	865.8	867.7	(.2)

Intermodal traffic

	Nov. 11	Nov. 4	Oct. 28	Oct. 21
Trailers	72,178	74,633	74,867	71,925
Containers	51,985	53,276	53,171	53,451
Total	**124,163**	**127,909**	**128,038**	**125,376**
% change from previous year	4.5	4.1	2.6	5.4

		% change
Cumulative total: 45 weeks	5,167,885	3.0


Rail freight traffic trends
Billion ton-miles (Estimated)
1988
1989
Week ended Nov. 11, 1989
$20.4 BILLION
JAN FEB MAR APR MAY JUNE JULY AUG SEPT OCT NOV DEC

Source: Association of American Railroads